



City of Santa Barbara
Airport Department

DATE: January 21, 2009
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: January 2009 Property Management Report

RECOMMENDATION: That Airport Commission receive a Commercial/Industrial and Non-Commercial Aviation property management report.

DISCUSSION:

Background: The Santa Barbara Airport has 2,383,265 square feet of Commercial/Industrial land and 173,194 square feet of leaseable building space. Non-Commercial Aviation facilities occupy 1,584,401 square feet of land and 170,942 square feet of buildings. The occupancy rates and the revenue represented are calculated monthly as detailed in the Property Management Report presented to Airport Commission.

The Airport has a historical average vacancy rate of less than 3% for all properties. For the three-year period January 2006 through December 2008, the average vacancy rate for buildings was 2.4 percent and 0.7 percent for land. These rates have remained low because the type of space available, especially yard space, has corresponded closely to local needs.

Current Status: The December 2008 figures shown in the attached Airport Property Management Report show a total occupancy rate of 95.3% for Commercial/Industrial buildings and 98.2% for land. This represents 165,100 square feet of rented building space out of a total of 173,194 leaseable square feet. The available spaces include a 3,042 square foot office suite that was just vacated at the end of December, and two warehouse spaces of 1,560 and 1,950 square feet respectively. The 1,950 square foot space is under negotiation and could be leased as early as February 1st. The 1,542 square foot space in Building 312 is an open space shared by several tenants that would only be leaseable if the entire wing of the building was occupied by one tenant.

Of the 2,383,265 square feet of Commercial/Industrial yards available, 2,341,330 square feet is under lease. The remaining available yards include three unimproved lots on Lopez Road and one yard on Robert Road. The uses of the Lopez lots are somewhat limited because they are subject to flooding during winter rains.

All Non-Commercial Aviation building space or ramp is leased at this time. However, if DHL ceases all operations in Santa Barbara, their premises, parking and ramp will become available in the Spring.

Potential Economic Impacts to Airport: The national economic crisis is beginning to effect a diverse group of tenants, including those in the defense, undersea communications, automotive services, recreation, and aircraft mechanic services. They are reporting a slowing of business activity and an increasing number of late-paying customers. Tenants that use the Airport for an auxiliary location are reducing their inventory and consolidating their premises. Some have moved to other smaller yards at the Airport, while others have vacated their Airport premises entirely.

In the last quarter the following tenant activity has impacted Airport property rentals and corresponding revenue:

- AGS Wall Systems, Inc. reduced its premises from 5,000 square feet to 2,279 with a subsequent loss in rent of \$381 per month.
- Stoneyard Building Materials gave its 30 day notice effective mid-January, vacating a 24,456 sq. ft. storage yard, a loss of \$4,279 per month.
- Advanced Broadband vacated 4,992 sq. ft. in Building 315, at the end of December. A loss of \$6,124 per month.
- DHL will be vacating its premises: 2,248 sq. ft Building 312, 1,562 sq. ft. of vehicle parking, and 10,470 sq. ft. of aircraft ramp, in January, a loss of \$5,227 per month.

Viewed as a "worst-case scenario", these changes, added to the existing vacancies, decrease Commercial Industrial revenue by approximately \$14,553 per month and Non-Commercial Aviation revenue by \$5,227 for a total anticipated drop in monthly revenue of \$21,145 by March 1, 2009.

The previous figures are based on the rental income for the month of December. Subsequent rental increases (including the 10% increase to AgRx) and potential leasing of available properties will mitigate the loss of revenue somewhat.

Vacancy rates (assuming that no tenants are found in the interim) will increase to 3% for buildings and 1.4% for land. These rates, while higher than usual for the Airport still compare favorably with vacancy rates for the surrounding area. According to recent information released by the Radius Group for the 3rd Quarter of 2008, office vacancies in Goleta were at 9% (due in part to the new construction at the Airport Plaza on Fairview) and industrial vacancies were at 4.8%.

While no Airport tenants are in arrears more than 30 days, there has been a slight increase in the number of late payers. The on-time collection rate was down in November to 96.71% slightly below our goal of 97%, which represents five tenants.

Business & Properties staff will aggressively pursue opportunities to market Airport properties and be vigilant regarding rental collection to minimize the effect of the recession on Airport revenue.

Airport Property Management Report - January 2009
Current Vacancies

PROGRAM	Space	In Prog	Sq. Ft.	\$ Per Sq. Ft.	Rent/ Month	Details
Commercial/Industrial						
BUILDINGS:						
	Bldg. 251		1,560	0.70	1,092	Storage
	Bldg. 315		3,042	1.55	4,714	Office
	Bldg. 315		1,950	0.70	1,365	Storage
	Bldg. 312		1,542	1.46	2,251	Open Space
	Total:		8,094		\$9,422	
LAND:						
	Lot 22 O		4,320	0.15	648	Unpaved Land
	Lot 22C		5,000	0.15	750	Unpaved Land
	Lot 22 Q		27,456	0.15	4118	Unpaved Land
	Lot 22N		5,159	0.15	774	Unpaved Land
	Total:		41,935		\$6,290	
Non-Commercial Aviation						
BUILDINGS:						
	Total:		0		\$0	
LAND:						
	Total:		0		\$0	
Development Parcels						
	Lot 2	Y	69,685	0.17	\$11,846	Unimproved Land
	Lot 3B	Y	34,711	0.14	4,860	Unimproved Land
	Lot 22	Y	630,320	0	31,250	Unimproved Land
	Lot 17**		45,801	0.14	6,412	Unimproved Land
	Forest Service Ramp	Y	52,663		526	Aviation Ramp
	Total:		780,517		\$54,368	

TOTAL VACANCY RATE AND LEASE APPLICATIONS IN PROGRESS

TOTAL BUILDING VACANCY RATE AND LEASES IN PROGRESS

Program	Total Leaseable Sq. Ft.	Total Sq. Ft. Leased	Sq. Ft. Vacant	% Sq. Ft. Vacant	Lease Sq. Ft. in Progress	% Sq. Ft. in Progress	Total Monthly Sched. Rent	Actual Rent	\$ Vacant	% \$ Vacant	Rent In Progress	% of Rent In Progress
Com/Ind	173,194	165,100	8,094	4.7%	0	0.0%	\$173,644	\$164,222	\$9,422	5.4%	\$0	0.0%
Non-Com	170,942	170,942	0	0.0%	0	0.0%	\$37,190	\$37,190	\$0	0.0%	\$0	0.0%
TOTAL	344,136	336,042	8,094	2.4%	0	0.0%	\$210,834	\$201,412	\$9,422	4.5%	\$0	0.0%

TOTAL LAND VACANCY AND LEASES IN PROGRESS

Program	Total Leaseable Sq. Ft.	Total Sq. Ft. Leased	Sq. Ft. Vacant	% Sq. Ft. Vacant	Lease Sq. Ft. in Progress	% Sq. Ft. in Progress	Total Monthly Sched. Rent	Actual Rent	\$ Vacant	% \$ Vacant	Rent In Progress	% \$ In Progress
Com/Ind	2,383,265	2,341,330	41,935	1.8%	0	0.0%	\$175,034	\$168,744	\$6,290	3.6%	\$0	0.0%
Non-Com	1,584,401	1,584,401	0	0.0%	0	0.0%	\$57,351	\$57,351	\$0	0.0%	\$0	0.0%
TOTAL	3,967,666	3,925,731	41,935	1.1%	0	0.0%	\$232,385	\$226,095	\$6,290	2.7%	\$0	0.0%

UPCOMING LEASE ACTIVITY

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Key: Y - denotes Lease In Progress

P - denotes Temporary Permit

*Vacant land and building space in Parcel 22 restored.

Building 247 to be removed as unrentable.

**Parcel 17 reverted to the Airport April 1, 2006.